



Sent via e-mail to regcomments@ncua.gov

April 3, 2009

Ms. Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Ref: South Carolina Credit Union League Comments on Advanced Notice of Proposed Rulemaking for Part 704, Corporate Credit Unions

Dear Ms. Rupp:

The South Carolina Credit Union League, Inc. offers the following comments on the National Credit Union Administration Announced Notice of Proposed Rulemaking (ANPR) for Part 704, Corporate Credit Unions.

The Role of Corporate Credit Unions in the Credit Union System

Should a separate charter be available for a corporate that wants to provide investment services and for a corporate that wants to offer payment services?

Corporate credit unions originally offered liquidity management services – cash management (to include short-term and long-term investment and borrowing) and settlement services. Many corporate credit unions now offer payment services in addition to liquidity options. Most have performed very well within industry guidelines. It would be very difficult to separate these functions in some cases. In South Carolina, Palmetto Cooperative Services, LLC provides share draft processing and First Carolina Corporate Credit Union provides settlement. This arrangement has been in place since 1975 and has worked well for all involved.

Should the NCUA consider limiting the types of products and services a corporate credit union is authorized to provide?

Corporate credit unions have provided vital services to the credit union system. Because they are owned and controlled by natural person credit unions, the services they offer have to be of value to the member/owner credit unions and the services have to be offered in an effective and efficient manner. The member/owner credit unions should be allowed to determine what services will be offered.

Does the current two-tier system of corporate credit unions meet credit union needs? Specifically is there a continuing need for a wholesale corporate credit union?

The two-tier system allows corporate credit unions to take advantage of economies of scale in aggregating overnight funds and as a liquidity source for member corporates. There is real benefit derived from having a wholesale corporate.

Governance

Should NCUA establish minimum standards for corporate directors in regard to their experience?

Each corporate credit union should develop its own minimum standards for management, staff, directors, and committee members based on the complexity of the services offered. The experience, education, desire to serve, and available time and resources to participate are important. The current process of the membership electing uncompensated persons from the member credit unions should be maintained. Natural person credit union CEOs and qualified senior staff should comprise the corporate credit union board of directors. For the wholesale corporate credit union, corporate CEOs and natural person CEOs should comprise the board of directors.

Should “outside” directors – persons not from a natural person credit union or from outside the credit union industry – be allowed?

As stated above, the system currently in place has worked well for us. For the wholesale corporate credit union, natural person CEOs would serve as outside directors.

Should NCUA impose term limits on corporate directors?

Annual elections impose term limits – if the membership is unhappy with a board member(s), the member credit union exercises its vote to change directors. First Carolina Credit Union has experienced a rotation of board members without setting term limits. This provides new ideas while providing some continuity. Term limits can be beneficial and they can be harmful. We have not experienced the necessity of imposing term limits at First Carolina Corporate Credit Union.

Should corporate credit union directors be compensated, and if so, should such compensation be limited to outside directors only?

As previously stated, we believe the current system of having unpaid board members from credit unions works well. If directors from outside the credit union movement were involved, compensation would almost certainly become necessary. Historically, credit union directors have served as unpaid volunteers and it would present a problem to provide compensation for some directors and not others. If we compensate corporate board members from credit unions, we are opening the door to compensation for natural person credit union board members.

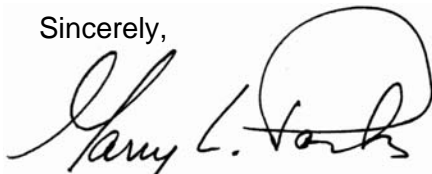
Should NCUA allow members of corporate credit unions greater access to salary and benefit information for senior management?

The board of directors is charged with the ultimate success or failure of the corporate credit union. The board hires a CEO and instructs the CEO to hire a competent staff – the same as at a natural person credit union. Human resource matters are usually private. Natural person credit unions do not publish salary and benefit information. There does not seem to be a reason for a corporate credit union to behave differently. The regulation currently addresses employment issues.

Thank you for the opportunity to comment on the ANPR regarding structure and operations of corporate credit unions. This issue affects all credit unions and their ability to serve their members. Corporate credit unions provide vital services to the credit union system and are necessary for its continued success.

The South Carolina Credit Union League fully supports the corporate credit union system and understands that restructuring the corporate credit union system will be a very difficult task. While all credit unions are repaying investment losses from corporate credit unions (losses not entirely attributable to the corporate credit unions), the value of a well-run corporate system far exceeds those costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Garry L. Parks". The signature is fluid and cursive, with a large loop at the end.

Garry L. Parks
President and Chief Executive Officer

These are some unsolicited comments in response to a survey of First Carolina Corporate Credit Union members conducted the week of March 23, 2009:

"Corporate credit unions are suffering from investment fall out like all other financial institutions. Support not restructuring is what is needed."

"We support our corporate and its board in these difficult times. We rely on many services from FCCCU and do not want to lose these."

"I love my corporate credit union. They did not cause this problem. I want to continue to have the personal service only they can give me. If you merge and have only district corporate credit unions, I feel I will lose the close relationship I have with my corporate credit union. This would not help the credit union system."

"Please leave our Corporate alone!!! First Carolina Corporate is an extension of us small credit unions and they work with us wonderfully!"

"It is much easier and more personal to deal with one corporate credit union. If these services were to be divided, I am afraid we would lose the personalized service we now receive."

"Our corporate has provided high quality services that would not be available to many small and mid-size credit unions for a comparable cost. It is unfortunate that certain investment decisions were made; however, this can largely be addressed with changes in regulations and higher quality examinations."